

### Summary

The Liontamer protected funds offer conservative investors the opportunity to access international markets with the safety net of capital protection. This latest product is a variant on the global growth theme adopted in the first Global Series fund and last year's Global Brands fund. Liontamer is taking advantage of favourable underlying market conditions to offer up to two-times the rise of their Global Index for those willing to accept 90% protection of invested capital. This is an exceptional potential bonus for a product appealing to cautious investors. Protection is underwritten by Barclays Bank. There is no management fee but there are penalties for early redemption.

The Global Series takes as its main assumption that we are in a period of robust global growth, and that equities remain an attractive way of harnessing this growth. Investors in this product gain access to a range of global markets through an index basket comprised of six well-known share market indices: the S&P500 (USA), FTSE 100 (UK), Stoxx (Europe), Nikkei (Japan), SMI (Switzerland) and Hong Kong (Hang Seng). Dominant weightings are given to the US, Europe and Japan (25% each) with 15% for the UK and 5% each for Switzerland and Hong Kong. Overall then, the basket has a bias towards Europe and Asia.

Liontamer's booster unit system is now well established and this product has two levels of unit, based on different capital protection profiles: booster units, with a five year term, full capital protection at maturity and 1.5 times the rise in the index as a booster to returns; super-booster units, a shorter term, four years, 90% capital protection, with the other 10% used to purchase an additional booster component on the return. These units will lock in twice the rise in the index. Liontamer have the flexibility to extend or shorten the term of the product 6 months. Investors will be advised of the exact fixed term at the time the investment starts.

Liontamer funds generally provide exposure to markets or asset classes that ordinary investors would not normally be able to invest in. For NZ investors, this means more international exposure, which is a good thing in terms of portfolio diversification. Even after almost 20 products have been successfully launched by Liontamer, I still receive enquiries from people asking whether Liontamer's products are just too good to be true. My answer is always that I believe the team at Liontamer have a unique ability in this particular product space. They tap into key investment themes and they are highly skilled in securing the best terms, based on their connections with leading note issuers such as Barclays and UBS. It is also Liontamer's good fortune, and their clients', that they are operating in a high interest rate environment in New Zealand, which means they are able to buy the 'protection' element (the structured note) relatively cheaply, which gives them the ability, subject to low levels of volatility, to gain attractive terms in the options markets. This is a growth investment, so clients should not expect a meaningful income stream. An investment in such a product means you are benefiting from the growth of the underlying index without receiving the benefits of any dividends paid by the underlying shares. Currency exposure is hedged, so investors are not exposed to fluctuations in exchange rates.

### At-A-Glance Guide

Investment profile:	International equities
Investment strategy:	Global Index basket
Securities held:	Structured notes issued by Barclays Capital
Benchmark:	Performance directly linked to the Global Index
Term:	4/5 years (+/- 6 months)
Growth options	<u>Booster units</u> - 100% protection / 1.5x index return* <u>Super -booster units</u> - 90% protection / 2x index return*
Early Maturity	Possible in first 3 years if the value of notes reaches \$1.80
Capital Protection:	90%/100% options*
Fixed Return:	0.05% p.a. paid 30 June*
Base currency:	NZ Dollar
Minimum Investment:	\$5,000
Entry Fees:	3% (rebatable in full or part)
Management Fees:	None
Other charges:	Built-in brokerage fee 2% Exit Fee 2%
Fund Status:	Closed-ended
Domicile/Structure:	Australian Unit Trust
Custodian:	NZ Guardian Trust Company
Supervisory authority:	NZ Permanent Trustees

\*subject to the investment held to term. Levels of each booster are indicative only

### Advantages of the fund:

Security of invested capital  
Provides diversification and significant growth potential  
Excellent return prospects for the level of risk  
Choice of unit caters for cautious or aggressive investors

### Disadvantages

Capital is tied up for between four and five years  
There are penalties for early redemption and no capital protection on early redemptions  
Early maturity feature, triggered if the value of the underlying securities hits \$1.80 inside three years. While not strictly a disadvantage, there are fees applying to this if investors require a repurchase of units (most likely to only affect investors operating under the \$50,000 de minimus rules).

### Risks:

For booster unit holders, a negative return for the index over the term would result in a return of capital but no growth on the investment. Super-booster unit holders will receive back only 90% of the capital in the event of the index returns being negative after 4 years.

### **The Liontamer Global Series – market background**

While some economists suggest that weaknesses in the US economy may undermine global momentum, the consensus is that the global economic growth story still has a good deal of life left in it. Global investors know that today, it is necessary to regard the US, Europe and Asia as equally strong players in the world economy and to weight them according to their strength at various points in the cycle. Barclays' research shows they currently favour Europe and Asia quite strongly over the US. This explains why Liontamer has overweighted these regions in this product, with 45% in Europe, 30% in Asia and 25% in the US. So while this is an international equities fund, its weightings are purposely skewed away from the US bias of the MSCI World index. The US is suffering from the increased probability of growth coming in below expectations and inflation above expectations. The collapse of the sub-prime lending market in the US could undermine the whole system of mortgage debt and have a knock-on effect on credit markets. This would ultimately feed through to lower growth from share prices due to higher interest rates. Meanwhile, economic growth in the countries sharing the euro hit a six-year record in the last quarter of 2006, when annualized growth hit 3.3%. And despite a marginal slowdown in 2007, the European economy continues to outpace the US economy, which grew only 0.3% over the last quarter and 2.1% over the year. After several lean years at the beginning of the decade, a growing recovery in Germany has been the driving force behind the broader upswing in the eurozone as the country reclaims its title as the region's powerhouse. Asia is entering a new phase of its evolution. Mature markets are evolving new ways of attracting global capital. Global trade is growing much faster now and the fastest growth is occurring in the emerging economies. If you look at individual sub-sets of these economies; motor cars, planes, cement, steel, they are already much larger than in Europe and the US and are growing faster. And because of the globalisation of trade, Asian economies need not be so concerned about the effects of a US slowdown. Capital markets are different, though. They trade more closely to a central mark and are therefore prone to greater volatility. But investors should not be too concerned about a repeat of the Asian crisis of 1997. Asia is in a very different position now because of the level of foreign trade and investment. Asian nations have huge foreign exchange reserves, whereas in 1997 they were in deficit as foreign investors sold down and currencies fell. In other words, the present boom has got quite a bit further to run yet, but with provisos, largely in the US. Equity markets still look positive but the risks are increasing. From this perspective, capital protection looks like a good bet. Maintain your exposure to the markets, but protect your downside.

### **Fund Manager Profile – Liontamer Investments**

Liontamer is a Sydney based fund company. The products are structured as Australian unit trusts. However, for the purposes of product marketing and distribution, Liontamer is a New Zealand-based company. Its key personnel are based in New Zealand, including two individuals who have extensive experience in the field of structured products. The first is Laetitia Peterson, a Belgian investment banker, fluent in 4 languages, with an MBA from Chicago and experience gained with Goldman Sachs in the US and UK. She has been involved in the development of structured retail products in Europe. Before establishing Liontamer in 2003, she was responsible for developing the BNZ's successful capital protected product series. The second key person at Liontamer is Janine Starks, a New Zealander who was heavily involved in structured products development for the UK adviser firm Chase de Vere. Liontamer's principals are therefore well qualified to be creating these products. The products themselves, with the involvement of names such as Barclays Bank, Deutsche Bank, Morgan Stanley, NZ Permanent Trustees, and NZ Guardian Trust are effectively endorsed by many of the established global investment companies.

### **About Global Fund Services**

GFS is an investment consultancy based in Auckland. Its managing director is Richard Newell, a former director of the UK fund research house and fund of funds manager, Forsyth Partners. Since moving to New Zealand in 2000, Richard has worked as a consultant within the financial services industry, both in New Zealand and offshore. He retains contact with senior personnel and specialist fund managers at many of the leading international asset management groups. GFS carries out research on specific sectors of the global funds industry, particularly in Asia and the Pacific region. Through on-going monitoring work, you can remain fully appraised of specific fund manager strategies. You can access GFS factsheets on the Liontamer funds at: [www.richardnewell.com](http://www.richardnewell.com)



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